Airlines soaring with frequent fliers

By Kurt Hoffman

Some semblance of stability has returned to the air passenger industry—at least for the moment. Competing airlines no longer are slashing each other's throats for the lucrative transcontinental and winter Florida traffic. Although rate competition on these routes is stiff, a definite shift in marketing strategy has taken place: The frequent flier phenomenom.

> **"Business travelers had no brand loyalty. The choice of airlines was determined almost entirely by schedule convenience."**
>
> *—Julius Maldutis*

Before the emergence of the first frequent flier offering in 1981, the situation in the airline industry was particularly dismal. The initial chaos that followed deregulation in October, 1978, was exacerbated by a sagging economy and the resulting drop in vacation and pleasure air travel. The new free-market environment triggered a series of vicious rate wars that bled sorely needed capital from individual airlines, killing a few.

"The whole industry was going through a period of declining traffic, and we realized that the real challenge would be to hold or increase our share of the business travel market," says Bill Delahanty, director-commercial sales for Eastern Air Lines. "But we realized that rate-cutting alone wasn't going to work, simply because it could be duplicated by our competitors. If we had decided to change our fare from New York to Atlanta one morning, the other carriers serving that route would have changed their fares before the end of the day."

Similar sentiments were echoed by Chuck Stichweh, senior analyst-marketing programs for Delta Air Lines. "During the period Delta was pursuing discount fares full force, we were flying a heck of a lot of people and losing money."

The idea behind stemming that flow of money—the frequent flier program—is as simple as it is brilliant. Some programs are structured around the number of miles flown; others tally the number of times a passenger buys a ticket valued at more than a certain price. Fly so many miles or buy so many tickets, and you receive a ticket or upgraded ticket in return.

"Quite frankly, the Free Flight Plan allows us to give our frequent travelers an incentive award that has a relatively high retail value, but a minimal incremental cost to us," says Rick Moran, director-commercial marketing for Northwest Orient Airlines.

The concept has frequent travelers salivating like Pavlov's dogs. Some airlines boast as many as 1.5 million current players, and the figures are growing.

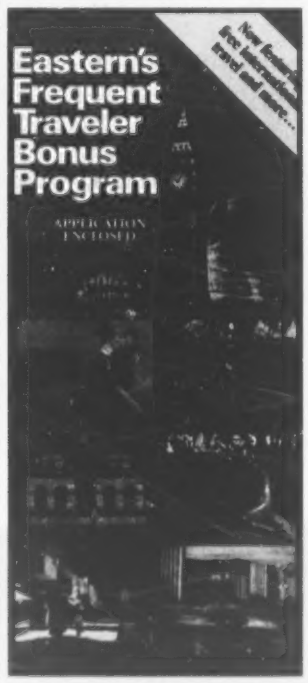
Although airlines readily welcome all travelers to their programs, marketing strategies generally focus on business travelers, who accounted for slightly more than half of the air passenger traffic in 1983. These passengers tend to be less cost-conscious than vacation travelers and often fly during weekdays instead of on heavily booked weekend flights.

Despite these bonuses, business travelers' traditional indifference toward airlines has been frustrating for carrier marketers. "Historically, business travelers had no brand loyalty. The choice of airlines was determined almost entirely by schedule convenience," says Julius Maldutis, transportation analyst at Salomon Brothers, New York. "Consequently, the initial objective of frequent flier programs was to take a portion of those very frequent business travelers who had no brand loyalty and convert them to United, Delta or whoever."

This assessment is accurate from the airlines' point of view, says John Zeeman, senior vp-marketing at United Airlines. "Our ultimate goal is to generate and maintain customer loyalty. We want people to choose our airline because they prefer United, not because of schedule or price. In essence, we're trying to differentiate our product."

American Airlines was the first to differentiate its product when it launched its AAdvantage program in May, 1981. This dramatic shift in strategy generated a marketing upheaval that has yet to settle, as competing airlines continually scramble to achieve parity or to best their competitors in the frequent flier arena. As Mr. Stichweh says, "In an oligopolistic situation, you've got to be pretty quick to respond."

Fueled by overwhelming public enthusiasm, the frequent flier programs have taken on lives of their own. Each participating carrier is scanning the market for new opportunities to enhance and stabilize its competitive posture, forming partnerships not only between airlines, but with other industries. The resulting mishmash of mileage



Overwhelming public enthusiasm has greeted the airlines' frequent flier programs, prompting them to search for new opportunities to gain that competitive edge.

Kurt Hoffman, a Richmond, Va.-based free lance writer, covers the transportation industry for a number of publications. He performed his interviews over the telephone, although he would have preferred to fly and build his mileage credits.

Carrots

(Continued from Page M-15)

For one thing, most companies want to know how well any marketing effort performed its assigned task. However, assessing the results and value of premium programs is a difficult and inexact science. Companies spend lots of dough on sometimes partially baked schemes without being able to tell how much the premium motivated the sale.

"The state of premium research is where advertising research was 20 years ago," says Marji Simon, director-research, Frankel & Co., Chicago. "No one has devised an inexpensive, practical, usable technique for measuring the effectiveness of ads, much less premiums."

The problems faced in evaluating premium programs are substantial. "The industry moves so fast that it's difficult to evaluate efforts regularly," Mr. Jagoda says. "Usually by the time one program ends, another has been launched and it's difficult to tell which motivated the sale." This, plus the fact that it's very difficult to set up any kind of control group and obtain followup figures from the client or industry involved, makes evaluative testing quite arduous, Ms. Simon says.

But, because of the competitiveness in the market, the emphasis is shifting more toward research. "To attract and keep clients, premium companies must back up their statements with quantitative data," Mr. Jagoda says.

John Caputo, executive vp of Glendinning Associates, Westport, Conn., agrees that more research is critical, but for another reason: "In light of premiums' impact on their respective markets, more work must be done to truly and accurately measure and evaluate premium programs."

Despite the need for better numbers, determining the outcome of a program primarily remains a subjective judgment, according to William Rotz, president of Rogers Merchandising, Downers Grove, Ill.

Both Mr. Rotz and Ms. Simon say they believe the best way to gauge a premium's effectiveness is through pretesting, employing focus sessions in target markets and performing moral intercept interviews. "Companies are spending a lot of money on premiums," she says, "so they must be bought and assessed more carefully. There is a definite need to design the right premium for the right audience. Premiums, like target audiences, should be segmented."

Ms. Simon uses an acronym—ACTION—to describe the intent of her promotional concept testing. "The premium effort should be appropriate to the product; easily comprehended by the consumer; reach the target market; be in keeping with the image of the company; fulfill the objective, and attain the norms or benchmarks established for the program," she says.

The objective often is not fulfilled because the company's intentions are not clearly established. The car rental industry, for example, waged a $50 million advertising and premium war without defining desired goals. The companies hoped to improve market share or the size of the market, but these positive

Liquidators lead the pack

1983 estimated consumer premium expenditures ($ million)

	Expenditures	% increase over 1982
Self liquidators	$1.041	8.8
Direct premiums	830	8.9
Trading stamps	549	4.6
Factory packs	412*	5.3
Free mail-ins	396*	3.7
Coupon plans	313*	5.0
Sweepstakes & contests	184	8.3

Source: *Incentive Marketing* *AA estimates

credits accrued through luxury liner cruises, car rentals and hotel registrations boggles the mind.

One such comprehensive arrangement involves Eastern and Trans World Airlines. Travelers can use mileage credits from either airline to acquire awards offered by either program.

"We really wanted to make a major jump in our program and appeal to a much larger audience of frequent travelers," Eastern's Mr. Delahanty says. The challenge was to identify the right partner. In addition to the eastern U.S., Eastern offers service to the Caribbean, Mexico and South America. TWA's presence in the western U.S. and Europe could provide an added dimension for Eastern fliers, and vice versa.

"It's just a perfect match," Mr. Delahanty says. "We felt that TWA's route system to Europe would have a strong appeal to our players, both as a means of racking up mileage credits and as an award target. We also knew, and TWA confirmed it with research, that TWA players would love to have an opportunity to go to Mexico, the Caribbean or South America under the same circumstances. So we both had something to bring to the party."

The negotiations, particularly those concerning award redemptions, were a little sticky, Mr. Delahanty says. "For example, we didn't know if their half-million players would suddenly start redeeming their mileage for trips to the Caribbean this winter. We certainly didn't need to relinquish a lot of free tickets during the height of the tourist season. By the same token, they were understandably concerned about our half-million or so players getting turned on to Europe this summer.

"We tried different formulas to protect one another, but we eventually decided that we were willing to risk it if they were," Mr. Delahanty says. He reports that redemptions have been fairly equal so far.

The partnership doesn't end with the two airlines. Participants in Eastern's program also can earn mileage by flying British Caledonian, Scandinavian Airlines or a variety of commuter airlines. Hertz and General car rental agencies also provide qualifying mileage, as do Marriott hotels.

"We saw other programs spread and take in a larger chunk of the world, and we have to remain competitive," Mr. Delahanty says. The Eastern-TWA arrangement is not unique. United has 15 partners. Pan American World Airways' World Pass II program includes links with Sheraton and Inter-Continental Hotels as well as Hertz. The list goes on.

The frequent flier programs clearly are a boon to business and vacation travelers. But have they been a benefit or a burden to the airlines?

"We're absolutely certain that we've been achieving our objective of brand loyalty," Mr. Zeeman says. "People are choosing to fly United because they like our rewards, and we have a lot of research that indicates passengers are going out of their way to fly our airline."

Not all marketers respond quite as enthusiastically, but nearly all hold that the frequent flier programs have created customer loyalty. "For the time being, it appears that the programs are a successful promotional device both for Northwest and for the airline industry in general," Mr. Moran says.

Mr. Maldutis says the frequent flier programs have developed enormous brand loyalty. "Due to the lack of statistics and the variety of marketing factors involved, it's difficult to attribute growth or loss solely to the frequent flier programs. But American, United, Northwest and Delta's traffic levels have improved, at least in part because of the frequent flier programs."

The mere compilation of travel statistics for frequent fliers has provided a variety of side benefits for the airlines. No longer must carriers resort to shotgun advertising in the general media.

Equipped with computerized travel habits of hundreds of thousands of individuals, Delta can target specialized audiences through direct mail campaigns.

"Initially, the goal of our Frequent Flyer Program was to be competitive in the marketplace. The secondary goal was to identify our frequent passenger," says Kathy Field, a Delta account executive. Because the majority of business travel traditionally is booked through agencies, individual airlines had little customer demographic information.

"Our computerized system opens up a variety of promotional opportunities," Ms. Field says. "For example, when we have new partners, such as Marriott or Preferred Hotels, we can use direct mail communications to advise our frequent fliers who regularly visit cities where these hotels are located of the opportunity to boost their mileage through hotel patronage. This not only provides a service to our frequent fliers and our program partners, but it also serves to increase that customer's loyalty to our program."

Airlines also use this information to promote new or increased service or to encourage travel during slow periods. These promotions often are accompanied by double mileage bonus offers or similar enticements.

However, not all airlines have jumped aboard the frequent flier bandwagon. Charles J. Kreinar, director-sales planning for USAir, says the profits weren't worth the price for USAir.

"We didn't experience a significant loss of business over-all on our system due to the decision not to participate," he says. Although competitors eroded a

(Continued on Page M-18)

objectives were not reached because they were never identified as the primary results.

"Every premium program should be based in a very specific marketing strategy, defined by clear-cut promotional objectives," Glendinning's Mr. Caputo says. These objectives, he says, should reflect the company's desired goals, whether it hopes to increase sales volume, improve market share, heighten in-store merchandising profile or reinforce brand usage and image.

"If a premium tactic does not address a problem, then the marketer cannot expect it to have a positive effect," Mr. Rotz says. Mr. Jagoda concurs: "The first thing I ask any client is, 'What problem do you need to resolve?' Anyone who uses premiums must realize that premiums are a means to reach an end, not an end in and of themselves."

In selecting the means to meet the end, Mr. Caputo says, the marketer must understand the capabilities and dynamics of the

(Continued on Page M-48)

An American evolution

Frequent flier programs radically altered airline marketing strategies in the 1980s, but the genesis of the prototype program was more evolutionary than revolutionary.

Tom Plaskett, senior vp-marketing for American Airlines and founder of the frequent flier frenzy, says the company struggled with two questions: Is it possible to build brand loyalty in a commodity product like air transportation, and how can repeat patronage be rewarded without exposing American to the economic adversities of volume discounts?

The obvious first step for any reward program was to develop a mechanism to monitor individual travel. American directed its data processing talent toward that goal in mid-1980. "We didn't know what we were going to do with it, but we knew that any effective program would have to have a reliable tracking mechanism," Mr. Plaskett says.

"Then we began to think about the specific concept of the program—whether we were going to track total mileage, travel dollars or travel frequency, for example. We selected a mileage-based system," he says, "and then we had to determine the actual mileage between all service points and program this data into our computer system."

All that remained was to define the awards and develop and implement the marketing and promotional plans.

"So it was really a building-block, stepping-stone type of approach," Mr. Plaskett says. The sum of these efforts, dubbed the American AAdvantage, was unleashed on an unsuspecting public in May, 1981.

> **"But once the decision was made to go ahead with the program, everyone pulled together and made it work."**
>
> *—Tom Plaskett*

He admits that some American officials were concerned that the program would be viewed as corporate discounts. Others were afraid that competitors that lacked the ability to respond with a similar program would adopt a competitive tack, perhaps negating American's offering.

"There was a lot of discussion and issue examination, and some modifications were made. But once the decision was made to go ahead with the program, everyone pulled together and made it work," Mr. Plaskett says.

"We saw it as an economic opportunity, not an economic risk. We were fairly confident that the program was going to attract a great deal of attention initially, and we would see an immediate share shift and increase in our market share as a result."

According to Mr. Plaskett, American's head start gave the company a significant competitive edge over other airlines. "Although we fully expected them to follow suit, we figured we had several months before our competitors could mount an effective program of their own," he says. "But one of the great strengths of our strategy was that once a player was locked into the program, it was very difficult to switch to other programs without losing the benefits they already had gained with us."

Mr. Plaskett likens the program to the trading stamp promotions that raged for years. "All we've done is replace the toasters with the most sought after reward today: Travel. And it's become the biggest and most successful marketing program in the business." *—K.H.*

Strings attached to free flights

Uncle Sam has bad news for frequent flier award winners. The old adage that there's no free lunch holds true as far as "free" airline tickets are concerned, at least in the eyes—and computer banks—of the Internal Revenue Service.

Three scenarios were presented to "Big Brother" for evaluation:

- A federal employe accumulates enough mileage credits through work-related travel—paid for by the federal government—to earn a round-trip ticket to any location the airline serves.

Is he free to use the ticket for personal travel?

No, according to a Justice Department tax division official. "Any free tickets, advertising giveaways or items of that nature become the property of the federal government, and the traveler is required to turn them in."

- An independent businessman is under a six-month contract with the Defense Department. The contract requires weekly travel and is set up on a costs-plus-contract basis (fixed contract fee plus expenses). After four weeks, the contractor accumulates enough mileage to earn a round-trip ticket. But instead of using the ticket for additional contract-related travel, he gives it to his wife for a weekend jaunt to the Bahamas. Was he obligated to apply the ticket to additional contract-related travel?

> **"Any free tickets . . . become the property of the government, and the traveler is required to turn them in."**
>
> *—tax official*

Yes, according to an official in the IRS accounting division. He now must reimburse the federal government for the retail value of the round trip to the Bahamas.

- A hard-working free lance writer living in Richmond, Va., finally earns enough segment credits through business-related travel to get a round-trip ticket, which he uses for a weekend in Cancun. However, he deducted the initial travel costs for the qualifying mileage as ordinary business expenses on his 1099 tax form.

Is the "free" round-trip ticket a taxable item?

Sort of, according to an IRS tax service representative. "This ticket would be viewed as a reimbursement, regardless of whether he uses it for business or pleasure," the official says. "The proper procedure would be to list his actual travel expenses on the 1099 form, then credit as a reimbursement the retail value of the flight to Cancun."

As to whether the "free" ticket would be taxed if the traveler accumulated the qualifying mileage through nondeductible pleasure travel, I didn't even bother to ask. One can take only so much bad news in a given day. *—K.H.*

Companies find a winner in dealer incentives

By Mary McCabe English

The insides of most consumers' kitchen cabinets are beginning to look like a Hollywood movie set gone berserk. Annie, Punjab, Gargamel, Smurfette, Snoopy, Woodstock, Darth Vader, Luke Skywalker—they may all be lurking in there. They are the visible remnants of a hundred fast food binges and as many halfhearted attempts by parents to ensure their kids' love by getting just one matched set of *really in* glass tumblers before they are no longer *really in*.

These consumer-targeted purchase incentives are the most obvious. But, behind the scenes, marketers are spending even more on sales and dealer incentives—either merchandise or travel prizes—to attain specific, predetermined goals, most frequently to increase sales volume or new accounts, improve morale or support new product introductions.

Mary McCabe English writes frequently for Magazine on a variety of business topics.

Total incentive spending—consumer, sales and dealer—increased 6.8% in 1983, reaching $10.4 billion, according to a recent report published in *Incentive Marketing*. However, the report says, "Given the inflation rate . . . the results indicated a measurable growth for the first time in several years."

The numbers look to be more notable this year. Surveyed executives "expect to see about a 10% rise in dealer promotion this year, pushing total volume over $2 billion," *Incentive Marketing* says.

Murray Elman, *Incentive Marketing* publisher, traces the growth generally to an increased emphasis on promotion activity. "People today are basically realizing that they have to promote if they want to move their products in an increasingly competitive marketplace," he says.

As for the relative merits of consumer vs. sales vs. dealer incentives, Mr. Elman says: "I don't try to isolate one because I think generally they tend to work in concert with one another."

Karl M. Sooder, vp-marketing at Barq's Inc., maker of Barq's root beer, New Orleans, agrees. Barq's is doing significantly more consumer promotion to complement its trade incentive programs, he says. "We believe we get multi-effectiveness this way," Mr. Sooder says, adding that Barq's realizes "anywhere from a 5% increase to a much higher percentage increase when we orchestrate these total promotions."

> **"People today are basically realizing that they have to promote if they want to move their products . . . ."**
>
> —*Murray Elman*

According to Mr. Sooder, Barq's has been doing merchandise and low-end travel incentives for the past three years. But, he says, nothing in the past compares with the magnitude of the current campaign, which involves sending 150 qualifying bottlers to the Acapulco Princess Hotel for three nights and 20 or 30 top winners on a three-day Princess cruise. The company upgraded the campaign prizes as a direct result of increased competition in the soft drink market.

Says Mr. Sooder, whose company logs annual sales of about 19 million cases in 30 southern, western and midwestern states, "The amount of competition that exists for bottler attention to the various products he's carrying is incredible. In the last few years, that competition for [the bottler's] time has increased substantially." So the company anticipates a boost in dealer incentives in 1985, he says, especially in light of the "positive results we're seeing in 1984."

Jeffrey Brooks, director-advertising for Sony Corp. of America in Park Ridge, N.J., is also enthusiastic about the positive effects of an incentive program. Sony ran an incentive campaign in its car stereo division last year, resulting in 48 U.S. distributors winning one-week Club Med getaways. And although Sony's past incentives have been basically consumer-oriented, he says, the success of the Club Med campaign has paved the way for a similar one this year.

"Our product line is so expansive and diverse, an incentive program allows us to single out certain products for special attention when necessary," Mr. Brooks says. Incentives energize the entire trade chain, he adds, both during and after the campaign.

"I think the fact that we're repeating the program this year is a testimonial to its success," Mr. Brooks says. "The distributors that returned from last year's trip are now such advocates of Club Med that they're helping promote this contest."

Barq's is breaking new ground with the magnitude of its cruise campaign for 150 bottlers.

Andre G. Abbate Jr., executive director of the Society of Incentive Travel Executives in New York, says the use of travel as an incentive has other positive repercussions.

"An incentive trip brings together the peers of an organization, many of whom have never met face to face. It gives them the opportunity to meet in a very favorable setting and develop interpersonal relationships, which is good for the organization as a whole because it leads to more of a family feel within the corporation," he says.

And, speaking of family, Mr. Abbate says by including spouses in most incentive trips,

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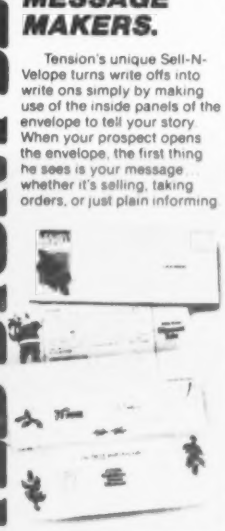

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companies often make that spouse more tolerant of longer hours on the job.

Nonetheless, according to *Incentive Marketing's* report, merchandise still outstrips travel in corporate expenditures for sales and dealer incentives.

Merchandise expenditures for dealer and sales incentives reached $3.1 billion in 1983, the magazine reports, compared with dealer and sales travel expenditures of more than $1.2 billion.

However, regardless of the type of prize, Marilyn Friedel, vp of Morse Marketing and head of Promotions for Industry in Chicago, says today's incentives share a common thread of increased sophistication. "There are so many new areas in technology and computers . . . that have added a tremendous value factor," in terms of incentives' effectiveness as marketing tools, she says. Ms. Friedel offers the telephone industry as an example of technology and market appeal meeting with perfect timing to create an ideal incentive.

Louis Haugh, a managing director with Westport Marketing in Westport, Conn., identifies incentives' increasingly creative and upscale applications as prime factors in their success as motivational tools.

"The rule used to be a prize structure whereby a salesman or dealer would earn points to win a toaster. Now, a toaster doesn't cut it anymore. What does are travel and upscale prize structures that allow people to acquire things they wouldn't normally go out and buy, things that feed the imagination," Mr. Haugh says.

Spokesmen for the incentive houses that frequently package incentive programs bear this out from the supplier side.

"The fact is, today people can buy almost anything from anybody . . . an absolute multitude of choices [are] available in almost any area you can think of," says Jim Dittman, head of Dittman Incentive Marketing in New York.

"As a result, the people who are succeeding [in packaging incentive programs] are offering merchandise that's fresh and imaginative.

"As for travel incentives, as they are used more and more widely, people are beginning to understand the importance of creating a program that will be remembered as an extraordinary experience," he says, "and not just another walk through London . . . new uses, not just new destinations."

It's also important to match the reward to the task, says Mr. Dittman, who is also director-education for SITE. By way of illustration, he describes the reaction of the dealer who's asked to do 20% more volume over six months in exchange for a low-end Caribbean vacation.

"This same dealer reads the New York Times and knows that he can go to the Caribbean for $400, so he says, 'you're crazy . . . you expect me to do all that for $400?' " Mr. Dittman says. "You have to create a travel experience that [the dealer] cannot duplicate . . . or offer merchandise of a high quality that mirrors the quality of what you're asking that person to perform."

From the perspective of the company underwriting such rewards, incentive programs should be effective marketing tools that generate business and aren't just another expense of doing business, Mr. Dittman says.

For this reason, it is crucial that incentive planners match each campaign to specific goals and then tie those goals to a carefully designed rules structure, he says.

Incentive Marketing's editors note that the basic measure of a

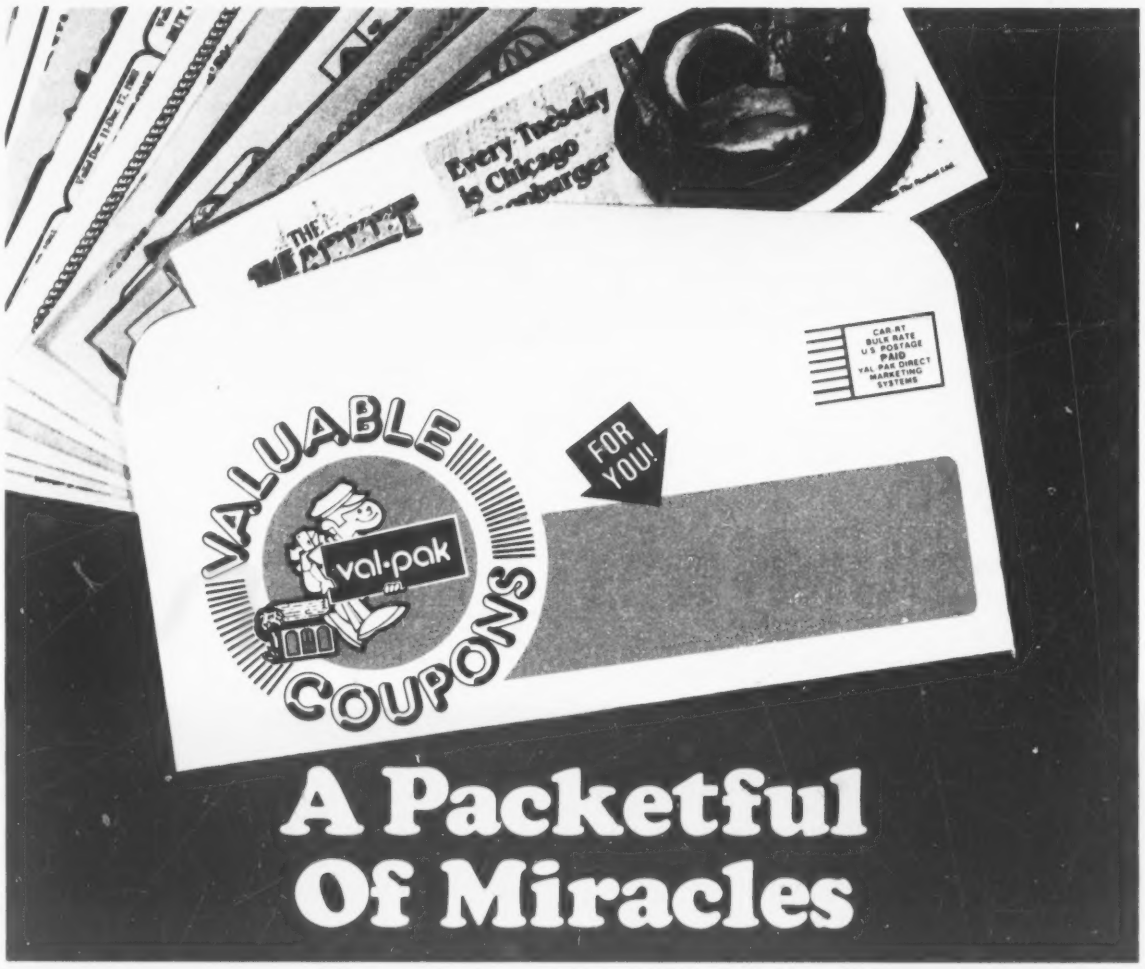
(Continued on Page M-44)

Top 10 carrot danglers

Industries' 1983 incentive expenditures ($000,000)

Travel		Merchandise	
1. Insurance	$161	1. Auto parts, tires	$299
2. Electronics, radio, tv	118	2. Toiletries & cosmetics	248
3. Auto parts, tires	110	3. Food products	176
4. Autos & trucks	99	4. Autos & trucks	156
5. Farm equipment	77	5. Insurance	152
6. Heating & air conditioning	71	6. Electronics, radio, tv	141
7. Office equipment	55	7. Building materials	116
8. Electical appliances	45	8. Petroleum products	101
9. Building materials	38	9. Farm equipment	96
10. Toiletries	35	10. Heating & air conditioning	88

Source: *Incentive Marketing*



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Incentives

(Continued from Page M-43)
program's effectiveness is "sales dollars reasonably attributable to the promotion. . . . The average sales increases for the [companies represented in the *Incentive Marketing* survey] in 1982 came to 11.5%, in 1983 to 14.2% and this year they anticipate an average of 16.9%."

Mr. Dittman says he believes the use of trade incentives will continue to increase for a combination of reasons.

"Number one, I think people recognize that price cutting is a suicidal approach and that incentive programs are, in effect, a positive form of motivation vs. the negative tonality [of] price cutting," he says.

"Trade incentives add value to the way your product is perceived.

"Second, with today's technology, there's less and less differentiation between products; at the same time there are more and more goods to sort out. And I think as the amount of differentiation continues to decline, the use of incentives will increase as a means of putting back some of the difference.

"Also, and this is particularly true of travel incentives, you get a great deal of residual value when you offer an incentive to your salespeople or dealers. It's not so much having been in Paris as the good memories associated with time well spent with a gracious host." AA

Behind the scenes promotions step forward

Corporate incentive expenditures (in $000,000)

	1983	1982	% increase
Sales incentives	$2.489	$2.312	7.7
Merchandise	1.893	1.761	7.5
Travel	596	551	8.2
Dealer incentives	$1.823	1.697	7.4
Merchandise	1.208	1.123	7.6
Travel	615	574	7.1
Trade total	$4.312	2.884	7.5
Merchandise total	3.101	1.125	7.6
Travel total	1.211	$4.009	7.6

Source: *Incentive Marketing*

Travel awards take off

More than $1.2 billion was spent on sales and dealer incentive travel during 1983—numbers that make this market very appealing to a lot of folks in the business of accommodating travelers.

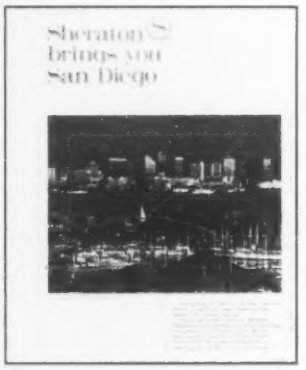
"Incentive travel has reached a level of sophistication that makes it an awfully attractive focus for a lot of companies," says Bob Dauner, director-incentive sales at Hyatt Hotels in Chicago.

"The very nature of the incentive program means the client wants to ensure that everything is done well. As a result, expenditures are usually greater for food and beverage, special accommodations, special programs . . . . Also, there's normally more discretionary spending involved," he says.

More and more hotels are beefing up their sales forces to tap into this lucrative offshoot of dealer incentive programs. Meridien Hotels, for example, opened an incentive department in April, 1983, a move that resulted in an estimated 100,000 room nights for the chain as of December, 1983, according to Maureen O'Hanlon, who opened the new office in her former position as Meridien's New York-based director-corporate and incentive sales.

"In the hotel industry, this is a substantial amount of business," Ms. O'Hanlon says, noting that the largest single chunk of the 100,000 room nights came from 9,000 people booked into Meridien's Paris branch, which is a consistently good incentive draw because of its location.

Nancy K. Sobol, manager-incentive sales for Sheraton Corp. in Chicago, says, "Over the last five years, Sheraton—worldwide—has seen a 20% to 30% annual increase in incentive-related business. The fact that not all of our hotels are located in destinations that are attractive to incentive groups pulls the figure down. The incentive increase for our resort properties could be 50%." The boom in incentive travel has been noticed by more than hoteliers, however.



San Diego is positioning itself as an appealing incentive travel destination—and Sheraton is helping.

In the past couple of years, San Diego has joined the expanding ranks of U.S. cities attempting to position themselves as appealing incentive destinations. A steady incentive trade can offer a solid base of financial revenue for a city and its businesses, according to Dave Wilbern, national sales manager for the San Diego Convention and Visitors Bureau.

"We found that as recessionary times hit us, association meetings dropped off drastically, although corporate meetings held on and even improved," says Mr. Wilbern, who also has worked for the Phoenix promotion board. "And, over-all, corporate, and particularly incentive meetings spend more money than association meetings." The San Diego spokesman figures the city's incentive business has grown 30% to 50% in each of the past three years. "This is partially due to the fact that the U.S. dollar doesn't have the strength abroad that it used to have," he says.

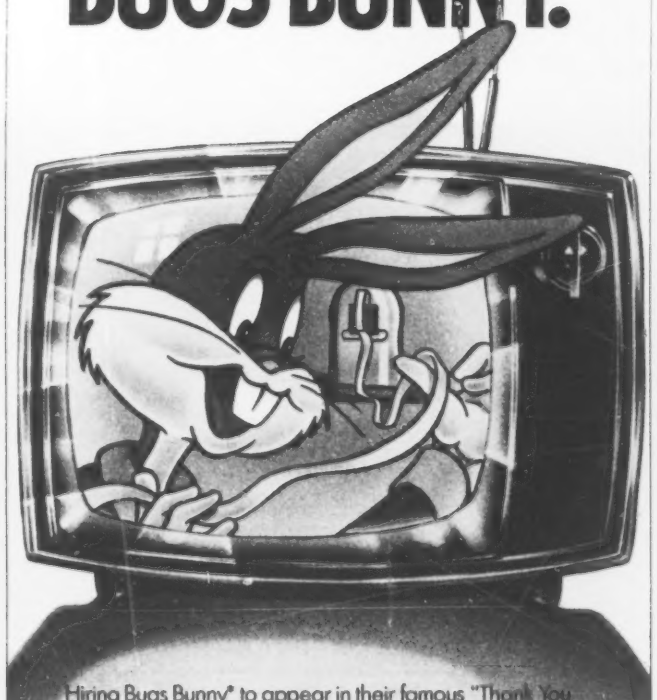
People are reconsidering where they spend U.S. dollars and are looking for value for their money, "and we want to make sure they know what a good value San Diego is," Mr. Wilbern says.

Warren B. Schatzle, vp-sales for the Nassau-Paradise Island Promotion Board, estimates that incentive travel to that destination has increased about 10% annually in recent years and probably accounts for 3% of its group market. "You're talking about millions and millions of dollars," Mr. Schatzle says when asked to translate these percentages to dollars.

"We have a very strong sales force, and we're constantly cold-canvassing, looking for new business. Our performance is outstanding, and we have a high percentage of repeat business," he says.

Outstanding performance is the ticket expected to win some 150 Barq's root beer bottlers cruises and/or hotel stays on the Mexican Riviera this October. Rick James, head of group sales for Princess Cruises, which will accommodate the Barq's winners, says such trips account for about 10% of the Los Angeles-based company's business. "It's a hard number to pin," he says, "but, obviously, it's a meaningful share." —*M.M.E.*

"THANK YOU, BUGS BUNNY."



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Dialing

(Continued from Page M-46)
dials your girlfriend, your minister, your bartender, your bookie—whatever.")

Jewel bought the phones wholesale, at about 35% off retail. "If Jewel breaks even, they'll be delighted," Mr. Wien says. "The whole idea is to increase traffic. If a store does $100,000 a week and the phones increase traffic 20%, that's a lot of money."

Besides timing, Mr. Wien attributes the apparent success of this promotion to the recognition of the Cobra name and the quality of the product. "It's the next best phone to Western Electric," he says.

Cobra, manufactured by Dynascan Corp. of Chicago, has been marketed as premiums for eight years, starting with citizens' band radios. The company probably has moved more premium phones than any other maker. In recent months, you could get a Cobra for buying Cella wine, Polaroid cameras, $10 of gas at West Coast Texacos and an appliance at Polk Bros. stores in Chicago.

All told, Cobra's biggest premium item is its $15 one-piece phone. "We sold 1.5 million of those last year, and I estimate that maybe 10% of that was as premiums," says Frank DiLeo, Dynascan president.

Compare that with the premium effort of AT&T. In 1983, less than 1% of the company's phone sales came through premiums, says Carol Earle, national sales manager for special markets. "We're just beginning to develop the premium market, although we do consider last year a pretty good first year." In 1984, AT&T expects to sell between $4 million and $6 million worth of premium phones, she says.

AT&T phones have been offered as premiums at supermarkets, banks and in auto showrooms. (Ford used them as internal sales incentives, and Cadillac awarded them as prizes in drawings.) Ms. Earle also cites the biggest premium promotion of all, *Time's* offer of a free phone with a new subscription. Time Inc. won't discuss the campaign.

One of the prime reasons AT&T hasn't done more premiums, Ms. Earle says, is the price of its product. The early stage of the phone premium binge has been dominated by inexpensive phones, which she calls "Yokohama mamas" because of their Oriental origins. "Our problem is that the quality of our product makes it an expensive premium," Ms. Earle says. "Our least expensive phone is $30."

According to most industry observers, however, the popularity of the bottom-of-the-line phones will drop as attention shifts to automatic dialers, recording phones and the like. "A lot of the $9.95 or $15.95 phones you saw last year will no longer be used in the premium area," ITT's Mr. Gervolino says. "The basic phone as a promotional device is dying. People will want better quality phones, exotic phones, phones with alarms and calculators and radios."

In other words, the freshest premium idea in years may need those tired old standbys after all. Just imagine: Deep inside some laboratory, a team of scientists could be putting the final touches on the ultimate premium—a Trimline that cuts costs *and* steak. AA

Carrots

(Continued from Page M-17)
various types of premiums. A self-liquidating premium is not the same as a free-in-the-mail offer and should not be expected to have the same result.

"Self liquidators won't have a measurable effect on business," Mr. Caputo says, "and people who expect more out of them than they can possibly deliver haven't defined their objectives and tactics properly." This type of premium is very popular now because it is a no-cost event, Mr. Caputo says. But what the marketer saves in cost may be at the expense of impact.

High value, free-in-the-mail efforts on the other hand, carry a high cost, but they deliver tremendous impact, according to Mr. Caputo. A $5 premium item mailed to a targeted prospect can pull an incredible response, he says. Another beauty of the high-value premium is that the perceived value of a $5 premium may be $20 or more, depending on how much it would cost the consumer over the counter. "This allows a marketer to make a dramatic proposition to a consumer," Mr. Caputo says.

On-pack, in-pack and near-pack premiums also can be quite expensive. "Although the discount offered for these powerful business building devices can be quite low," Mr. Caputo says, "these premiums are usually tied into large-scale offerings, which inflates the over-all expense." A cereal brand may offer only 10 cents off with purchase, but if the program helps move 5 million boxes of cereal, the investment in the program can become substantial. In addition, the number of marketers that can use this tactic is limited because of the logistics of in-store displays and redemption efforts.

Another stumbling block faced by food marketers is that as premiums pervade a market, consumers may become desensitized to them. "This factor, along with misredemption problems, could cut back the number of coupon plans," Ms. Simon says. "Premiums must increasingly be perceived as a good value."

She sees consumer acceptance of sweepstakes and contests rising, however, because "times are tough on the middle class and people are looking for ways to make it big."

But the surest tactic to achieve the desired results of most premium efforts is not a premium at all.

"If you want to generate product trials and movement, nothing beats a price cut," Mr. Jagoda says. "If the competition cuts prices, you probably will respond with a price cut because you've got to fight fire with fire. But remember, a price cut is a price cut is a price cut. It offers no real value."

The ravages of a price war can devastate a company's revenue picture and market position. A well engineered premium program can build business without severely slashing into profits, say premium suppliers.

"The best premium is the kind that rewards a consumer for making a multiple or repeat purchase," Roger's Mr. Rotz says. "By stimulating repeat purchases, you can build a continuity to the business, remind consumers of the product you are promoting and develop and advance the image of the company."

Price wars cannot accomplish the variety of goals premiums can achieve, say promotion experts, and for this reason premiums will remain a mainstay in companies' marketing arsenals. "Like in baseball, a company should have a change of pace," Mr. Jagoda says. "Premiums provide variety, and most important, they add value to the product offering and allow a company to merchandise and glamorize both the product line and the incentive." AA

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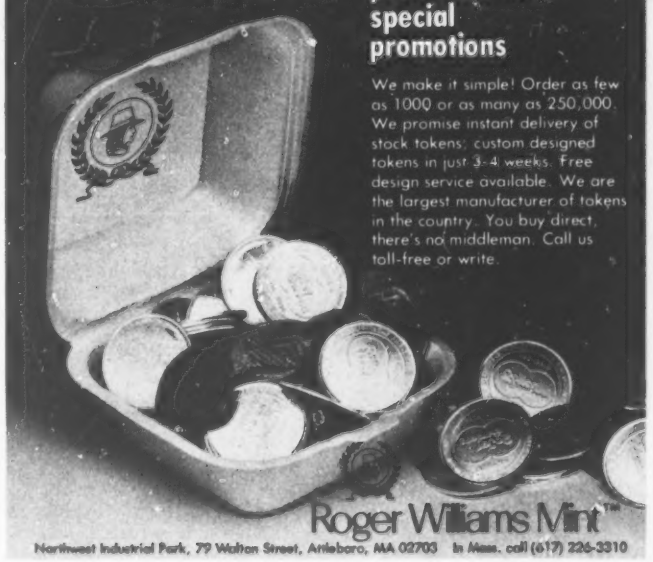

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Gillette puts the brush back in shaving in tv spots for Brush Plus, combining shaving concentrate and brush in one.

Gillette in a lather for all-in-1 brush

By GAY JERVEY

Gillette Co., in its effort to give the American male the smoothest shave around, will take that daily ritual one step further this fall with the introduction of Brush Plus, an all-in-one brush and shaving-concentrate system.

Brush Plus, which the company predicts will create a niche all its own, will be supported by $13 million-plus in advertising and promotional support, which the company believes to be the largest financial commitment in shave-cream history. Of that, $9 million—a figure that tops the collective 1983 spending of shaving-preparation marketers—will go into tv and print ads themed "Brush Plus. . .for a superior shave."

The Brush Plus entry follows the late '83 introduction of Gillette's Foamy gel, which, according to Gillette, has exceeded initial sales expectations. It has also spurred competition in a category known neither for risky innovations nor high ad budgets, the company said.

Both Foamy gel and Brush Plus are seen as critical moves for the company's personal-care division, which flew into the 1980s on the successful launches of such female-oriented brands as Silkience and Aapri, but has found such brand popularity hard to maintain.

Although the division recently made headway with Bare Elegance, a moisturizing liquid shower soap, and Body Flowers, a body cologne aimed at younger women, Gillette has faced frustrating maturation in some product cycles. As such, it is seeking new-product opportunities both for men and women.

Five years in development, Brush Plus—due on retailers' shelves

(Continued on Page 98)

Pullout by Colgate another blow to Esty

By BRIAN MORAN

William Esty Co., already reeling from the loss of Warner-Lambert's consumer group, was dealt a second severe blow last week when Colgate-Palmolive walked away from its longtime relationship with the agency.

The exit of the two accounts boosted Esty's loss in billings to nearly $30 million in a single week.

Esty handled an estimated $13 million in measured media last year to advertise three Colgate brands, which are moving to two other Colgate shops, Young & Rubicam and Foote, Cone & Belding. Also last week, Esty's loss in the severed Warner-Lambert relationship, which came earlier in the week, amounted to $16 million in billings (AA, May 10).

Spokesmen for both Colgate and Warner-Lambert said they soured on Esty because the agency lacks an international presence. Both companies are seeking greater brand expansion overseas. Many U.S. agencies, including smaller, regional shops, have been scrambling to set up overseas links to serve multinational clients they may have (AA, May 10).

Another reason for the shifts centers on Colgate and W-L's goal of consolidating their agency activities to deal with a smaller stable of shops. Many other leading package goods advertisers are doing likewise.

Additionally, both companies recently installed new management teams, and the standard agency review following such moves helped bring about Esty's losses, sources said.

Foote, Cone & Belding will reap most of the benefits from the Colgate move, picking up Fab laundry detergent and Ultra Brite toothpaste. Combined billings on those products are roughly $9 million.

In 1983, Fab detergent received a total of $5.5 million in ad support, up from the $3.4 million spent in 1982, according to Leading National Advertisers. Ultra Brite toothpaste, which has steadily been losing market share, had $3.5 million in support in 1983, down from $4.5 million a year earlier.

Young & Rubicam gained Ajax dishwashing liquid, whose ad spending in 1983 was about $4 million.

In W-L's case, the company moved its Schick blades and razors, Personal Touch women's shaving system, Clorets gum and mints and Lifestyle prophylactics to J. Walter Thompson USA. Combined billings on those products are in the neighborhood of $14 million. Ted Bates Advertising/New York, which, like Esty, is a subsidiary of Ted Bates Worldwide, gained Listermint mouthwash, whose ad spending in 1983 was about $2 million.

Colgate's move places all of its major brands with the

(Continued on Page 94)

No moves seen until Olympic deadline

ABC execs wait it out

An Advertising Age roundup

ABC-TV sales executives spent last week making quiet calls to reassure advertisers that their $428 million in Summer Olympics chits still will be worth the money—at least until June 2. That's the deadline for the Soviet Union and other Communist-bloc countries to announce formally their intentions to attend or boycott the games.

In the remaining three weeks before the deadline, the debate in the advertising world will revolve around whether the Soviets actually will stay away from the games and, if they do, what impact that will have on the prestige and tv ratings of the Olympics.

There are divergent schools of thought. One says the absence of the Soviets will reduce the competitiveness of the games and ABC's ability to promote the games as a "Protectors of Freedom vs. the Evil Communists" confrontation. Another maintains that without the Soviets, American athletes will win more gold medals, will produce more marketable heroes and will feel no shrinkage in tv ratings, since the Olympics will truly be an American spectacle.

A third camp—something of an amalgam of the first two—predicts the Soviets will extract some foreign-policy concessions from the U.S. and then attend the games. As a result, ABC will be able to exploit heightened American consternation at the Soviets, boosting ratings beyond even the most optimistic projections.

At stake, though, is much more than the $428 million being spent on tv coverage of the games. Corporate sponsors and advertisers last week professed to be standing firm behind their commitments to the games and to tv coverage (AA, May 10). But many may be worried that games without the Soviets—not to mention the East Germans, Bulgarians and others who have said they are not coming—could jeopardize the impact of the more than $1 billion being spent to promote advertisers' Olympic tie-ins.

Furthermore, the outcome of the '84 summer games will affect the value and desirability of the '88 Summer Olympics set for Seoul, South Korea, a site with even greater political liabilities

(Continued on Page 94)

New pitch for 'Mac' wristbands

By ROBERT RAISSMAN

The Garvey Marketing Group will present new versions of McDonald's wristbands this week to the presidents of Major League Baseball's American and National Leagues.

The effort represents an attempt to keep alive the promotion for Ronald McDonald House.

John Boggs, a spokesman for Garvey Marketing Group, said the San Diego-based company will offer the baseball league presidents three alternatives—sticking the Golden Arches logo directly into the band on a plain background and getting rid of the McDonald's red color; reducing the size of the arches, or instructing players to wear the smaller Ronald McDonald House logo on the top of the band rather than on the bottom.

"We hope this will satisfy the powers that be," Mr. Boggs said. "It would be a shame if this program was halted."

Both leagues and the baseball commissioner's office have treated the conflict over using the logo like a hot potato. Although they recognize that McDonald's intentions are well directed, the leagues fear that the logo could open the door for players to sell parts of uniforms or equipment to other advertisers (AA, April 26).

But to deny players that right

(Continued on Page 98)

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last minute news

AdCom gets $14 million-plus Gatorade business

CHICAGO—Quaker Oats has moved its $14 million-to-$20 million Gatorade thirst-quencher account to company-owned AdCom, after a lengthy agency search that included JWT and incumbent FCB. A campaign themed "Thirst aid" broke over the weekend, and is set primarily for sports programing, including the Olympics.

Today contraceptive marketer reviewing

IRVINE, CAL.—VLI, marketer of the Today sponge contraceptive, is reviewing at least six California agencies, including incumbent Newhoff & Prochnow, Costa Mesa, for its account, spending under $6 million.

Allnet, Toys 'R' Us accounts land at Grey

NEW YORK—Grey Advertising has added two $10 million-plus accounts in New York. They are Allnet Communications Services, Chicago, a long-distance telephone service, formerly at Marsteller, Chicago, and Toys "R"

(Continued on Page 8)

May be only net segment to get hefty increase

Upfront focus on news

By DIANE MERMIGAS

Advertiser, agency and network executives last week began unusually early huddling over proposals to buy network news time in the 1984-85 season.

Although the networks probably will not get the hefty 15% to 18% rate increases for news they are requesting, news is the only daypart next season expected to deliver double-digit increases over last year.

Daytime, which also is on the verge of breaking early, is expected to deliver about a 9% increase in upfront rates. Although the networks reportedly are preparing to ask for between 11% and 13% increases in daytime upfront rates, many major daytime advertisers and their agencies say they will stand firm against paying such high prices and will resist rushing into early buys.

The networks also are looking for double-digit increases in prime time, but upfront rates are not expected to soar beyond 9% over last season.

Unlike past seasons, news and daytime upfront selling at CBS, ABC and NBC are preceding the prime time market, which also is expected to break early, just after Memorial Day. A number of advertisers consider network news an efficient way of offsetting the increasingly high cost of prime time.

General Foods, Warner-Lambert and Richardson-Vicks were among the major advertisers who last week began negotiating their proposals for upfront network news buys, according to sources.

Broadcast Advertisers Report identifies the three companies as heading a list of 10 advertisers who collectively contributed 25% of the $518.8 million in advertising time purchased on network news programs in 1983 (not including prime time news magazines or ABC's late-night "Nightline"). That list also includes Anheuser-Busch, American Telephone & Telegraph, General Motors, American Home Products, Sterling Drugs, K mart and Whirlpool.

Leo Burnett USA, Chicago, actually kicked off the activity several weeks ago. It caught the networks offguard with an estimated $25 million news buy on all three networks next season for four to six of its clients. Among them were Kellogg and Maytag, sources said.

The Burnett clients each reportedly increased their

(Continued on Page 96)

NEW! MUCHO FRUITY MEXICAN-FOR-ONE from HORMEL.
Hormel Dulcita—
the luscious Mexican dessert!
15¢
SAVE 10¢ ON ONE DELICIOUS CORN DOG from HORMEL.
It's a hot dog on a stick. This meaty Hormel wiener is smothered in corn batter and deep fried to a golden brown.
10¢

Items that Hormel is testing in its Frozen Singles line include cherry and apple dulcitas (top) and a corn dog.

Chevy sprints to minicars

By RALPH GRAY

Firming up a small-car image is integral to Chevrolet's Sprint debut.

SEDONA, ARIZ.—Chevrolet's Sprint, the new minicar set to debut May 31 in nine western states, is carrying heavy marketing baggage.

"We want to sell image, not just hardware," said Thomas A. Staudt, Chevrolet general marketing manager, at a recent press conference here.

With that in mind, Chevrolet has a multifaceted marketing strategy for the Suzuki-made two-door car:

- The three-cylinder car, by getting a jump on the new minicar category, is aimed at heading off a fleet of Japanese one-liter engine cars expected to be introduced.
- By introducing the Sprint in the West, Chevrolet is fighting the imports in a region where they are particularly strong. Chevy is attempting to reestablish both its image among small cars and the entry-level niche it maintains in the General Motors family.
- The car is the first of three front-wheel-drive cars in Chevy's attack on the small-car market.

The introduction of the Sprint will bring only 17,000 units to the market because of import restrictions (also the reason it is limited to the nine-state region). By contrast, Chevrolet's current small car, the Chevette, recorded more than 175,000 new-car registrations in 1983.

The Sprint, introduced in Puerto Rico in April by the GM Overseas Distribution Corp. (AA, March 12),

(Continued on Page 98)

Food marketers add new morsels

DALLAS—Some well-known food marketers, their reputations built in specific product categories, are testing their pull in new areas of the supermarket.

A handful of brands—names like Hormel, ConAgra's Home Brands, Fleischmann's—were on the exhibit floor at the Food Marketing Institute convention last week with products slightly out of character with their familiar brand personalities. And there were other companies, products not yet in hand, that hinted at coming forays in new areas.

One company moving out of its traditional niche is Geo. A. Hormel & Co., the Austin, Minn.-based marketer of fresh and processed meats. Hormel is extending its Light & Lean label, already used on some of its newer meat products, to new categories: Aspartame-sweetened gelatin mix and hot cocoa mix.

Although the company has marketed those products as private-label items, it never has had its own brands. The cocoa mix is now testing in the upper Midwest; the gelatin is soon to follow.

Ultimately, the company plans to use an umbrella campaign for the Light & Lean line, to extend its name recognition to the newer

(Continued on Page 98)

highlights

Monday, May 14, 1984

Polaroid's talking about instant photography, but Kodak's not. After the two photography giants had their annual meetings last week, some analysts suspected that Kodak was reducing its commitment to the instant market. *See Page 6.*

Dick Christian, Marsteller chairman, doesn't believe in idle retirement. After stepping down from his agency post this fall, he will jump into a new career, that of associate dean at Northwestern University's Medill School of Journalism. *See Page 10.*

Tiny Kaepa Inc. (with 1% of the market) plans to challenge the athletic-shoe giants with a patented double-shoelace design. *See Page 12.*

CORPORATE CLOSEUP

Kenneth Thomson, Lord Thomson of Fleet Street, unobtrusively runs a media giant, International Thomson Organization Ltd. He shuns publicity as assiduously as some other publishers tend to seek publicity. *See Page 4.*

INTERNATIONAL

Philip Morris Inc.'s Marlboro cowboy may ride off into the sunset and leave Leo Burnett Co. behind in the U.K. The cigaret maker has invited "one other agency" to pitch its Marlboro cigaret account, which is primarily—but not always—handled by Burnett around the world. *See Page 54.*

British beer drinkers will see a David-and-Goliath marketing confrontation this summer, when a small Czech brewery, Budweiser Budvar, takes on the giant Anheuser-Busch of St. Louis. *See Page 54.*

France and Luxembourg have signed Western Europe's first joint direct-broadcast satellite agreement, ending years of tough negotiations. The agreement will create four new tv channels by 1986, with at least two stations supported by advertising. *See Page 61.*

VIDEOTECH

Merchandising rights for fall Saturday morning children's shows are expected to be sold for more than $120 million. The networks have only begun to tap this revenue source. *See Page 45.*

A top-level shakeup at RCA has outsiders wondering what will happen to Grant Tinker, chairman at NBC. Ratings are poor at NBC-TV in several categories, but its bottom line has improved under Mr. Tinker. *See Page 46.*

COMING THURSDAY IN *Magazine*

Marketing the Olympics: The 1984 summer games seem destined for controversy, with the recent Soviet decision to withdraw adding to debate over commercialization. *In special report.*

Research Business Review: Top management changes characterized 1983 for the U.S. marketing/advertising research industry, which recorded an 11.3% increase in revenues over 1982.

REGULAR FEATURES

ADBEAT	89	OBITUARIES	36, 98
ADVERTISER PEOPLE	84	PHOTO REVIEW	28
ADVERTISING MARKETPLACE	85	PRESSTIME	8
AGENCY PEOPLE	70	REGIONAL NEWS	78
BRADY'S BUNCH	32	SPORTS MARKETING	90
COMING CONVENTIONS	50	VIDEOTECH UPDATE	46
CON-SID-ERATIONS	16	WASHINGTON BEAT	38
CORRECTIONS & CLARIFICATIONS	6	WORLD NEWS ROUNDUP	3
EDITORIAL	16		
FOR THE RECORD	93		
FORUM	18		
LETTERS	24		
MEDIAMOVES	80		
MEDIA PEOPLE	63		

FIGURES TO FILE

NATIONAL ADVERTISING INDEX-1983	62
U.S. ADVERTISING VOLUME-1983	63

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Soft sales quiet boom for pay tv

By SUSAN SPILLMAN

NEW YORK—The boom in pay tv isn't very loud these days.

According to the most recent figures released by industry analyst Paul Kagan, only 685,000 pay tv units were sold in the first quarter of this year, compared with 1.5 million during the same period in 1983 and 1.5 million in 1982.

"The decline is fairly universal throughout the industry and across all pay tv services," said Tom Willet, vp-marketing, Continental Cablevision.

According to Art Dwyer, vp-marketing for Cox Cable, "The pay business has been relatively unstable for the past five quarters. What you're seeing is a leveling-off period in which people are finding out they don't need several pay services, especially when they are so heavily duplicated. The industry is going to have to start realizing that it's difficult to create a demand when you don't have the product. The marketplace is speaking out."

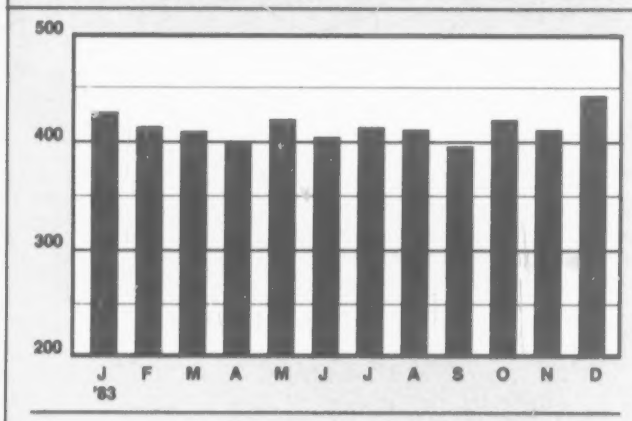
John Charlton, senior vp-marketing, programing and sales, Warner Amex Cable, said he hoped recent attempts by pay tv services to differentiate their prod-

(Continued on Page 96)

Final figures: Advertising surged in '83

National advertising index - 1983

The McCann-Erickson national advertising indexes are key barometers of the month-to-month changes in national advertising spending. These indexes are seasonally adjusted measures of the monthly advertising revenues for the major national media. The general index is a composite of net tv, spot tv, magazines and newspaper expenditures by national advertisers and 1967=100. *Source: McCann-Erickson*



Month	General Index	Net TV	Spot TV	Mags.	News.
January	427	507	494	318	368
February	413	468	493	328	351
March	408	458	477	337	347
April	401	458	501	332	288
May	423	492	484	348	342
June	403	489	474	304	317
July	413	471	489	352	316
August	409	487	477	328	315
September	398	465	478	347	263
October	423	480	482	387	312
November	406	486	468	321	322
December	442	514	511	379	330
Average for 1983	414	482	485	340	323
Change over 1982	+12%	+13%	+10%	+14%	+12%

By ROBERT COEN

The advertising industry and the U.S. economy both advanced at a rapid clip during most quarters of last year, final figures show.

The nation's gross national product rose 7.7% in 1983, while advertising revenues again grew faster than the economy by posting a 13.9% gain. Expect more of the same in 1984, with ad revenues again rising by about 14% to more than $86 billion.

In the opening months of 1983, it was evident that the U.S. economy would be fighting its way up from the recession depths of 1982, but the extent of the recovery generally was underestimated.

Caution on predictions

The advertising industry also expected a fairly good year. But because ad budgets had held up so well in 1982, despite the bad economy, there was considerable caution about predicting another series of large gains until 1984, when the elections and the Olympics would contribute to above-average promotional activity.

But by spring, 1983, the economy was expanding at the fastest pace in nearly a decade. Despite record ad budget increases in the previous year, the advertising industry again outpaced the economy in 1983 for all quarters of the year with only minor deviations for a few media during isolated periods of the year.

Final figures for 1983 spelled out the strength of the economy and the even greater prosperity for the advertising industry as the combined spending by both local and national advertisers rose to about $75.9 billion.

Upturn in classified ads

The largest dollar gains in advertising spending came from a sharp upturn in classified newspaper advertising linage and a return to much stronger advertising and promotional activity by local retailers, whose business had been slumping since spring, 1980.

The consumer helped tug the economy out of the recession, and the anticipation of much better retail sales volume encouraged retailers to lead the upturn in higher 1983 advertising activity.

While local retail advertising activity soared in 1983, there also were sizable gains in media spending in many major national advertising categories. Automotive, apparel and entertainment advertisers increased their budgets by more than 20% in 1983.

The advertisers of beer, computers and financial services continued to offer new products and services supported by fatter advertising outlays.

Modest national ad increase

In total, national advertisers increased their spending by 12.5% in 1983—a relatively modest increase only in contrast with the local advertising gains of 15.7%.

The amounts spent for advertising may seem large but they are really very modest compared with the approximately $2.2 trillion consumers spent for the goods and services that these advertising budgets supported.

The economy has been advancing at a record pace in the opening quarter of 1984, and most of the media are reporting significant ad gains vs. their year-ago levels.

The biggest percentage gains in ad spending in 1984 are expected for the broadcast media, which will be getting their usual hyperstimulus from the quadrennial upturn in advertising activity from the elections and the Olympics.

Double-digit gains expected

Most of the other media also are projecting double-digit advertising revenue gains this year. The dramatic improvement in classified newspaper linage should last through most of 1984 despite the upward pressures on interest rates that could curtail some real estate and help-wanted listings.

Newspaper ad revenues also should continue to benefit from the growing optimism of retailers and other local marketers that use that medium importantly for distribution of sales and promotional information.

The ever-improving outlook for corporate profits should begin to lead to a reappearance of a lot of corporate image and advocacy advertising programs that have been trimmed in the past few years.

Not only has advertising grown faster than inflation, but it has significantly outpaced the nation's economic growth in each year since 1976. Despite recessions in 1980 and 1982, advertising as a percentage of GNP has increasd every year since 1976. Although total advertising in the U.S. is measured in

(Continued on Page 63)

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'Tribune' promo offers free classified job ads

CHICAGO—The *Chicago Tribune* is planning to run a "Get a Summer Job" promotion making available free, five-line classified ads for students.

The promotion may run one to three times between May 14 and June 1 in one of the paper's six zones.

The *Tribune* tried another such promotion in 1982, offering free ads to any job-seekers.

A follow-up survey found that more than 70% of those placing ads received calls from prospective employers.#

Tv spots lack daring: FCB exec

By PAT STRNAD

SOUTHFIELD, MICH.—A dearth of daring has made American tv advertising a wasteland for innovation and originality, says an executive with experience in both the U.S. and British ad industries.

U.S. advertisers "use formula instead of original ideas," said Leonard Sugarman, executive creative director at Foote, Cone & Belding Communications, New York. Nearly all U.S. tv advertising is formula-ridden, he charged, adding, "American advertising has lost its daring and is running scared."

Mr. Sugarman made his remarks at a creative seminar here sponsored by the American Assn. of Advertising Agencies.

In Britain, advertisers have more confidence in their agencies, while in the U.S. agencies often are regarded—and perform—as mere suppliers, he said.

"American advertising is obsessed with research strategy, and it takes daring to be original. Innovative advertising rarely tests well," Mr. Sugarman said.

Products are "being researched to death," agreed Jack Frakes, exec vp-exec creative director of Ross Roy Inc., Detroit. "I don't want eight ladies in a shopping center to tell me if I have an arresting headline. I can figure that out for myself. . .Advertising isn't necessarily a team sport all the time."

Mr. Frakes was part of a panel of top creative directors who reacted to Mr. Sugarman's contentions.

Chuck Felt, vp-co-creative director, Young & Rubicam, Detroit, agreed: "To get outstanding ads, you have to be creative and die a little to get it through the creative process. We can't walk away from our responsibility of selling our creative work."

"If you give a client the opportunity to make a safe decision, he will. But we don't give the client an opportunity. The blame [for bad advertising] rests squarely on all our shoulders," said Bill Lane, exec vp-executive creative director of J. Walter Thompson Co., Detroit.#

U.S. advertising volume

The double-digit gains advertising volume made during 1983 came on the recovering strength of the U.S. economy. *Source: Prepared for Advertising Age by Robert J. Coen, McCann-Erickson.*

Medium	1982 $ millions	% of total	1983 $ millions	% of total	Per cent change
Newspapers					
National	2,734	3.6	2,452	3.7	+11.5
Local	17,848	23.5	15,242	22.9	+17.1
Total	20,582	27.1	17,694	26.6	+16.3
Magazines					
Weeklies	1,917	2.5	1,659	2.5	+15.5
Women's	1,056	1.4	904	1.4	+16.8
Monthlies	1,260	1.7	1,147	1.7	+9.9
Total	4,233	5.6	3,710	5.6	+14.1
Farm publications	163	0.2	148	0.2	+10.0
Television					
Network	7,017	9.3	6,210	9.3	+13.0
Spot	4,796	6.3	4,360	6.6	+10.0
Local	4,323	5.7	3,759	5.6	+15.0
Total	16,136	21.3	14,329	21.5	+12.6
Radio					
Network	296	0.4	255	0.4	+16.6
Spot	1,038	1.4	923	1.4	+12.5
Local	3,876	5.1	3,492	5.2	+11.1
Total	5,210	6.9	4,670	7.0	+11.6
Direct mail	11,795	15.6	10,319	15.5	+14.3
Business papers	1,990	2.6	1,876	2.8	+6.0
Outdoor					
National	512	0.7	465	0.7	+10.0
Local	282	0.4	256	0.4	+10.0
Total	794	1.1	721	1.1	+10.0
Miscellaneous					
National	7,951	10.5	7,067	10.6	+12.5
Local	6,996	9.1	6,046	9.1	+15.7
Total	14,947	19.6	13,113	19.7	+14.0
Total					
National	42,525	56.1	37,785	56.8	+12.5
Local	33,325	43.9	28,795	43.2	+15.7
Grand total	75,850	100.0	66,580	100.0	+13.9

Economy

(Continued from Page 62)

billions of dollars, it is still relatively small at slightly more than 2% of the total economy.

Advertising is expected to grow faster than the economy in most years for the rest of this century. The general upward trend is explained by growing affluence, the expanding number of women in the labor force and other factors that have increased the use of mass advertising as a marketing tool.

For example, in 1982, a recession year, advertising as a percentage of GNP increased more than in any other recession year in memory. In fact, in most past recessions, advertising usually declined as a percentage of GNP.

But for the first time, in 1982 advertising was used to move backed-up inventory (rebates), to fill seats on deregulated airline flights and to air special promotions for hotels and resorts at a time when vacancy rates were going up.

High interest rates and fear of losing "share of market" have motivated marketers to promote aggressively especially when total market sales begin to soften. These trends are likely to continue for years as a greater proportion of consumer spending goes to heavily advertised discretionary goods and services.#

media people

O'Hearn adds exec vp title

St. Petersburg, Fla.—John. H. O'Hearn, 46, general manager of the St. Petersburg *Times* and *Evening Independent*, has added the title of exec vp following the early retirement last month of John B. Lake, 63, formerly exec vp-publisher. The publisher's title has been retired. In addition, Andrew Barnes, formerly managing editor, moves up to editor and president. Those titles had been held by Eugene C. Patterson, who remains chairman.

During his career at the newspaper, Mr. Lake chaired several newspaper industry committees, most recently the research and production committee of the American Newspaper Publishers Assn.

Other people moving:

Edwin Phelps Jr. to vp-deputy director, new-business planning and operations, a new post, *Reader's Digest*, Pleasantville, N.Y., from vp-director, magazine circulation. Succeeding him is **Ronald Cole**, formerly subscription sales manager.

Liberta Abbondante to circulation director, *Success*, New York, one of a series of changes being made as HAL Publications assumes management of the magazine, from fulfillment director, Gruner & Jahr.

Stephen Traiman to director-promotion and special events, a new post, CES Publishing Corp., New York, from vp-executive director, Recording Industry Assn. of America and its RIAA/Video division.

Wendy Sherman to corporate advertising manager, a new post, *The Economist*, New York, from manager-consumer goods and travel advertising, *Vanity Fair*.

Maureen Klinges to associate advertising director, a new post, *Muppet*, New York, from sales rep.

John Condon to exec vp, a new post, Times Mirror Magazines, New York, from vp-assistant group publisher, CBS Magazines.

Elio Agostini to vp-marketing, *Houston Post*, from publisher, *Edmonton Sun*, both published by Toronto Sun Corp. Mr. Agostini succeeds **Harry Hayes**, who retires from the *Post* June 30 after 24 years with the paper. At the *Edmonton Sun*, Mr. Agostini is succeeded by **Patrick Harden**, formerly general manager.

Richard J. Warren to publisher of *Bangor Daily News* from assistant publisher; he continues as the paper's editor. His father, **Richard K. Warren** moves from publisher to chairman of the executive committee of the Bangor Publishing board, a new title. No successor was announced for the assistant publisher's position.

Janis Drew to the new post of associate manager, *Omni*, Los Angeles, from account exec.

Wesley D. Rolfe Jr. to Alaska manager, *Alaska Construction & Oil*, Anchorage, from account exec, Snohomish Publishing Co., Everett, Wash., succeeding **Laurie Bissell Whitley**, who left.

Alfred Reed to market manager-import automotive advertising, *Business Week*, New York, from publisher, McGraw-Hill's *Chemical Week*, succeeding **Walter Buchleitner**, recently named *BW's* associate advertising director. Succeeding Mr. Reed is **Charlton Calhoun III**, who continues as vp-publisher, process industries markets sector.

Richard Khaleel to vp-president, a new post, software group, Scholastic Inc., New York, from senior vp-account group supervisor, Wells, Rich, Greene, in charge of the Atari computer and software accounts. Also, **Al Froio** to national sales director-software, a new post from trade sales manager, Scholastic's book group.

Glenn Rosenbloom to eastern advertising manager, a post vacant for some time, *Sports Afield*, New York, from New York manager.

Marion Aaron to eastern sales manager, a new post, *Us*, New York, from account manager. Also joining *Us* as account managers are **Jennifer Cole**, formerly account manager, *Co-ed*, and **Nancy Switkis**, formerly account manager, *New York Daily News*.

Paul John Dean to editor-in-chief, *Cycle World*, Newport Beach, Cal., from editorial director, *Cycle Guide*, succeeding **Allan Girdler**, who resigned.

Laurence Cohen to publisher, *Corporate Meetings & Incentives*, New York, from advertising director, *Chain Signs*, succeeding **Michael Leeds**, who left.

Howard Clutterbuck to vp, a new post, Medical Economics Co., Oradell, N.J., in addition to his posts as publisher, *Diagnosis*, and vp, Medical Media International.

Rudy Bauser to U.S. advertising sales director, *Vision*, Chicago, from Midwest sales director, succeeding **Ron LaVilla**, who left the company.

Bill Congdon to marketing manager, a new post, *Golf Digest*, Norwalk, Conn., from account exec in the New York office.

Gary Gyss to national sales manager, a new post, *PDR/Physicians' Desk Reference, PDR for Nonprescription Drugs, PDR for Ophthalmology, Drug Topics Red Book* and *Red Book Update*, Oradell, N.J., from senior account manager, *Medical Economics* and *Medical Economics for Surgeons*.

Bill Reilly to New York advertising sales manager, *Newsweek*, New York, from automotive imports industry manager, succeeding **Virginia Mueller**, named category group marketing manager.

Cheri Blum to Southern California regional sales manager, a new post, *Personal Software*, Los Angeles, from advertising sales manager, *Micro Discovery*.

Brian Doyle and **Don Wilson** to senior account supervisors, *Food & Wine*, New York, from, respectively, account manager-marketing and sales, *Good Housekeeping*, and sales rep, *Family Circle*.

Phyllis Sparrow to account manager, a new post, *Working Woman*, New York, from account exec, Family Media.

Ernestine Grant to classified advertising manager, a new post, *Field & Stream*, New York, from classified display manager.

Eileen Rivkin Byrnes to associate publisher-advertising, a new post, *Mother Jones*, San Francisco, while continuing her duties as western advertising manager.

David Troath to director-telecommunications, a new post, Newsweek Inc., New York, from telecommunications manager, Mattel Toys, Hawthorne, Cal.

Amanda Boe to account manager, a new post, *American Health*, New York, from sales rep, *Pensions & Investment Age*.#

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Workshop zeros in on high-tech market

NEW YORK—The need for swift positioning in the fast-paced high-technology field; the risk factors inherent in high tech's rapid growth rate, and the specific marketing techniques required in the field will be covered at the ADVERTISING AGE Creative Workshop Aug. 19 to 22 here.

Larry Kerr, corporate marketing communication manager, Intel Corporation, will discusss the importance of strong positioning: To establish a product, set product standards before the competition does and sustain the product during its life cycle.

"A company has to be extremely swift in identifying and establishing position and has to move out quickly before the position is no longer relevant," Mr. Kerr maintains.

In substantiating the need for rapid positioning, he will identify a number of companies that entered the market a year ago and since have been ousted by even newer entries. Mr. Kerr will explain how to forestall that possibility by recognizing what product attributes consumers want and then positioning the product to mirror such attitudes.

Through this plotted positioning by which a company, in effect, tells the consumer what is important, the product "becomes the benchmark against which others are measured," he maintains.

The combination of fierce competition and shortened product life cycle that distinguishes high-tech marketing will be covered by Howard Anderson, president-director, Yankee Group. Noting that high-tech marketing and the real world are two different things, he will list the lessons high-tech marketers must learn in order to be successful.

"Many high-tech marketers don't know what they're doing or why," he said.

Mr. Anderson says the major mistake high-tech marketers make is ignoring a basic principle of brand marketing—the distributor. "Too many companies go around their distributors and, consequently, lose position and share."

Referring to the increasing fight for decreasing shelf space, Mr. Anderson emphasizes the need for a new breed of marketer—one who knows both high tech and brand management and can integrate the consumer marketing with the challenges of a new marketplace.

These are two of more than 40 sessions offered that cover a cross-section of industries, including financial, service, package goods, consumer durables, retail and business-to-business, as well as creativity in print, radio, tv, cable and direct marketing.

For more information about these and other sessions, write to: ADVERTISING AGE Creative Workshop, 220 E. 42nd St., New York 10017, or phone toll free: 1-800-233-3435.

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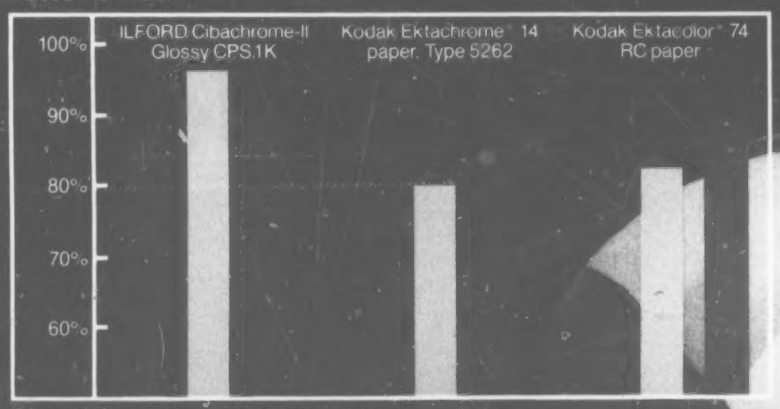

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*This paper was used in Evaluating the Stability of Image Dyes in Photographic Color Prints, by Bruce Hepworth, Kodak Publication No. L-55, Feb. 1983.

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Foreign Agency issue addenda

The following additions and corrections refer to the recently published Foreign Agency Income report (AA, April 23).

Vickers & Benson Cos., Toronto, 1983 gross income of $8.6 million and billings of $55.7 million compared with 1982 figures of $8.1 million and $53.3 million; **Publicidad Artefilme,** Bogota, Colombia, 1983 gross income of $496,448 (AA estimate) and billings of $3.3 million. Figures for 1982: Gross income $1.4 million (AA estimate) and billings of $9.1 million.

Corbin Compton Ltd. figures for the main Caribbean office in Port of Spain, Trinidad, and another office in Bridgetown, Barbados, were reversed. Trinidad gross income and billings for 1983 should read $1.2 million and $7.7 million, respectively. Figures for the Barbados office were $309,575 and $2.2 million.#